

## Message Text

PAGE 01 STATE 053717  
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ROME FOR HIGGINSON, NEW DELHI FOR HINES AND TETRO

E.O. 11652:N/A

TAGS: ETRD, IT, IN

SUBJECT: FAO INTERGOVERNMENTAL GROUP MEETING ON HARD FIBERS.

FOLLOWING IS TEXT OF POSITION PAPER FOR SUBJECT MEETING:

QUOTE: U.S. POSITION - TWELTH SESSION OF FAO INTER-  
GOVERNMENTAL GROUP ON HARD FIBERS - MARCH 14-19, 1977 -  
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PAGE 02 STATE 053717

GENERAL

ALONG WITH THE NORMAL AGENDA ITEMS ON CURRENT MARKET  
SITUATION AND RESEARCH AND PROMOTION, THIS SESSION OF  
THE FAO INTERGOVERNMENTAL GROUP (IG) ON HARD FIBERS  
WILL CONSIDER POSSIBLE APPROACHES TO MONITORING THE  
INFORMAL ARRANGEMENTS FOR SISAL AND HENEQUEN. IN  
RESPONSE TO A REQUEST OF THE ELEVENTH MEETING OF THE IG,  
THE FAO SECRETARIAT HAS PREPARED A PAPER DESCRIBING  
OPTIONS FOR INCREASING IG SURVEILLANCE OF THE INFORMAL

ARRANGEMENTS WHICH WILL BE CONSIDERED UNDER AGENDA  
ITEM VIII.

THIS WILL ALSO BE THE FIRST MEETING OF THE IG FOLLOWING  
THE INITIAL PREPARATORY CONFERENCE ON HARD FIBERS CALLED  
BY UNCTAD LAST DECEMBER. THERE MAY BE INCREASED  
INTEREST IN MORE FORMAL INTERNATIONAL ARRANGEMENT"  
ON HARD FIBERS GIVEN THE IMPETUS OF THE UNCTAD  
EXERCISE. WE UNDERSTAND THAT THE FAO SECRETARIAT INTENDS  
TO PROPOSE A MAJOR TECHNICAL IMPROVEMENT PROGRAM FOR  
SISAL AS PART OF ITS EFFORT TO SUPPORT THE UNCTAD  
COMMODITY EXERCISE. HOWEVER, WE EXPECT THE MORE  
AGGRESSIVE EXPORTING COUNTRIES TO CONCENTRATE THEIR  
EFFORTS IN THIS REGARD IN THE UNCTAD RATHER THAN THE  
FAO FORUM.

#### AGENDA ITEMS

THE U.S. POSITION ON THE AGENDA ITEMS IS:

#### A. ADMINISTRATIVE MATTERS

##### ITEM I. ELECTION OF CHAIRMAN AND VICE CHAIRMAN

POSITION: THE U.S. DELEGATE SHOULD SUPPORT THE CON-  
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PAGE 03 STATE 053717

SENSUS OF THE GROUP BUT SHOULD NOT ACCEPT OFFICE.

##### ITEM II. ADOPTION OF PROVISIONAL AGENDA

POSITION: THE U.S. DELEGATE MAY SUPPORT ADOPTION OF  
THE PROVISIONAL AGENDA.

#### B. REVIEW OF THE CURRENT SITUATION INCLUDING IMPACT OF SYNTHETICS

##### ITEM III. SISAL AND HENEQUEN

POSITION: THE U.S. DELEGATE SHOULD MAKE A STATEMENT

ALONG THE FOLLOWING LINES:

THE UNITED STATES CONTINUES TO BE THE MOST IMPORTANT  
SINGLE MARKET FOR HARD FIBERS IN SPITE OF THE SIGNIFICANT  
INROADS MADE BY SYNTHETIC FIBERS DURING THE PAST  
SEVERAL YEARS. SHARPLY REDUCED PRICES FOR RAW SISAL  
FIBER AND FOR IMPORTED BALER TWINE AND OTHER SISAL  
PRODUCTS INTO THE U.S. MARKET HAVE SLOWED THE IMPETUS  
FOR EXPANDED PRODUCTION OF SYNTHETIC TWINES AND  
OTHER SUBSTITUTE PRODUCTS. WITH POLY RESIN IN THE

UNITED STATES SELLING AT 28 CENTS A POUND AND CURRENT  
SISAL TWINE PRICES DOWN SIGNIFICANTLY FROM 1974

AND EARLY 1975 LEVELS, NATURAL FIBERS HAVE AGAIN

BECOME MORE PRICE COMPETITIVE WITH MANMADE FIBERS.

OWING TO THE IMPROVED COMPETITIVE POSITION OF NATURAL  
FIBERS, MANY SMALL U.S. MANUFACTURERS OF PLASTIC TWINES,  
WHO CAME INTO THE MARKET WHEN NATURAL TWINES WERE  
SELLING AT 25-30 DOLLARS PER STANDARD BALE IN 1974,  
HAVE SINCE DROPPED OUT OF BUSINESS LEAVING ONLY TWO  
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PAGE 04 STATE 053717

OR THREE MAJOR SYNTHETIC TWINE PRODUCERS STILL  
OPERATING. U.S. PRODUCTION CAPACITY FOR PLASTIC TWINE  
LEVELED OFF IN 1976 TO AN ESTIMATED 60-70 MILLION  
POUNDS AFTER HAVING INCREASED FROM AROUND 15 MILLION  
POUNDS THREE YEARS EARLIER ENABLING NATURAL TWINE TO  
MAINTAIN ITS MARKET SHARE AND TO A LIMITED EXTENT  
REGAIN SOME OF THE MARKET IT LOST TO PLASTICS DURING  
1974-76.

U.S. IMPORTS OF SISAL AND HENEQUEN BALER AND BINDER  
TWINES IN 1976 TOTALED 101,443 METRIC TONS (224  
MILLION POUNDS), UP 21,582 METRIC TONS (48 MILLION  
POUNDS) FROM THE 1975 TOTAL, BUT ABOUT ONE-THIRD  
BELOW THE RECENT RECORD HIGH OF 150,157 METRIC TONS  
(331 MILLION POUNDS) ACHIEVED IN 1974. OWING TO A  
DECLINE IN UNIT VALUE PRICES, THE TOTAL VALUE OF  
BALER AND BINDER TWINE IMPORTS OF 1976 REACHED ONLY  
44.8 MILLION DOLLARS, COMPARED WITH 93.7 MILLION  
DOLLARS AND 156.6 MILLION DOLLARS, RESPECTIVELY,  
IN 1975 AND 1974. BALER TWINE IMPORTS ALONE IN 1976  
ACCOUNTED FOR 93,918 TONS VALUED AT 40.7 MILLION  
DOLLARS. THE AVERAGE UNIT VALUE OF BALER TWINE  
IMPORTS IN 1976 WAS 433 DOLLARS PER TON F.O.B. BASIS,  
OR 7.86 DOLLARS PER 40-POUND BALE. THIS COMPARES

WITH CORRESPONDING 1975 UNIT VALUES OF 1,168 DOLLARS  
PER TON AND 21.20 DOLLARS PER BALE. THE SHARP  
DECREASE IN THE 1976 IMPORT VALUE OF AGRICULTURAL  
TWINES, IN LARGE PART, REFLECTS THE DAMPENING EFFECT  
ON PRICE OF LARGE SUPPLIES OF DOMESTIC PLASTIC TWINE  
AS WELL AS SOME FURTHER SHIFTING TO ALTERNATIVE  
METHODS OF HARVESTING HAY WHICH EITHER REQUIRE LESS  
TWINE PER UNIT HANDLED OR NO TWINE AT ALL.

PRINCIPAL SUPPLIERS OF BALER TWINE ACCOUNTING FOR ABOUT  
90 PERCENT OF TOTAL U.S. IMPORTS IN 1976 WERE AS  
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PAGE 05 STATE 053717

FOLLOWS (1975 QUANTITIES IN PARENTHESIS): BRAZIL - 34,496 TONS (15,550); MEXICO - 25,001 TONS (12,288); TANZANIA - 17,903 TONS (4,165); AND PORTUGAL - 7,002 (12,127). THE PREDOMINANCE OF BRAZIL, MEXICO, AND TANZANIA IN SUPPLYING U.S. BALER TWINE IMPORT

NEEDS FOR 1976, ILLUSTRATES THE ROLE OF FIBER-PRODUCING COUNTRIES IN SUPPLYING THE U.S. NATURAL FIBER TWINE MARKET.

U.S. IMPORTS OF RAW SISAL AND HENEQUEN FIBERS WERE UP SOMEWHAT IN 1976 TOTALING 14,465 TONS, LARGELY REFLECTING INCREASES IN SISAL IMPORTS FROM BRAZIL AND EAST AFRICA. THE 1976 INCREASE NOT WITHSTANDING, IMPORTS OF RAW SISAL AND HENEQUEN HAVE DECLINED PRECIPITOUSLY IN RECENT YEARS; DOWN FROM 32,341 TONS IMPORTED IN 1973, 61,853 TONS IMPORTED IN 1971, AND AN AVERAGE OF 73,268 TONS IMPORTED ANNUALLY FROM THE PERIOD 1965-69. THE SLACKENING OF UNITED STATES DEMAND FOR RAW SISAL AND HENEQUEN IS LARGELY REFLECTED IN THE SIGNIFICANT DECLINE IN SISAL IMPORTS FROM BRAZIL, HAITI, AND TANZANIA AND HENEQUEN FROM MEXICO. IMPORTS FROM THESE MAJOR SUPPLIERS TOTALED 11,576 TONS OR 80 PERCENT OF TOTAL IMPORTS IN 1976, COMPARED WITH 66,813 TONS OR 91 PERCENT OF TOTAL AVERAGE ANNUAL IMPORTS FOR THE PERIOD 1965-69. IMPORTS OF HENEQUEN FROM MEXICO HAVE EXPERIENCED THE MOST PRECIPITOUS DECLINE WITH 1976 IMPORTS TOTALING ONLY 323 TONS, COMPARED WITH THE 32,066 TONS ANNUAL AVERAGE FOR THE PERIOD 1965-69.

DISCUSSION: TOTAL U.S. ANNUAL TWINE REQUIREMENTS ARE AROUND 300 MILLION POUNDS, OR ABOUT 7.5 MILLION 40-POUND BALES OR PLASTIC TWINE EQUIVALENTS. DURING 1976, ABOUT 80 PERCENT OF DOMESTIC NEEDS WERE MET BY IMPORTS WHILE THE BALANCE WAS MET BY ABOUT EQUAL SHARES FROM SISAL TWINE MANUFACTURED IN THE UNITED STATES AND FROM

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PAGE 06 STATE 053717

DOMESTIC PLASTIC TWINE. WITH THE INCREASE IN SISAL TWINE IMPORTS IN 1976, OWING IN PART TO THE DRAWDOWN IN STOCKS DURING 1975, THE PROPORTION OF PLASTIC TO NATURAL TWINE USED IN THE UNITED STATES UNDOUBTEDLY WAS DOWN SOMEWHAT. IF IMPORTED NATURAL TWINE PRICES REMAIN AT CURRENT COMPETITIVE LEVELS THROUGH 1977, PLASTIC TWINE USE MAY POSSIBLY FALLOFF SOMEWHAT DURING THE UPCOMING HAYING SEASON.

THE 1976 HAYING SEASON IN THE UNITED STATES WAS COMPLETED WITH LITTLE IF ANY TWINE SUPPLY PROBLEMS. DOMESTIC HAY PRODUCTION IN 1976 TOTALED 121 MILLION TONS, DOWN 9 PERCENT FROM 1975'S NEAR RECORD AND 5 PERCENT BELOW 1974. BECAUSE OF RELATIVELY LARGE TWINE IMPORTS IN 1976, THE LOW HAY CROP, AND THE MOVEMENT TOWARD ALTERNATIVE BALING METHODS, CARRYOVER TWINE

STOCKS AT THE END OF THE 1976 HAY HARVEST WERE MUCH IMPROVED OVER THAT WHICH HAS PREVAILED IN RECENT YEARS.

U.S. BALER TWINE CONSUMPTION PROVIDES THE LARGEST SINGLE FOREIGN MARKET OUTLET FOR SISAL AND HENEQUEN FIBERS. THE U.S. REACTION TO PROBLEMS OF BALER TWINE SUPPLIES, RELATED RAW SISAL PRICES, AND COMPETITION FROM SYNTHETICS WILL BE AN IMPORTANT ELEMENT IN THE GROUP'S DELIBERATIONS. THEREFORE, THE U.S. DELEGATE MAY EXPECT TO BE PRESSED FOR INFORMATION AND COMMENTS ON THIS AGENDA ITEM.

#### ITEM IV. COIR FIBER

POSITION: THE U.S. DELEGATE NEED NOT PARTICIPATE ON THIS AGENDA ITEM.

DISCUSSION: U.S. IMPORTS OF COIR FIBER IN 1976 TOTAL 6,443 TONS VALUED AT 1.1 MILLION DOLLARS. THE AVERAGE LIMITED OFFICIAL USE LIMITED OFFICIAL USE

PAGE 07 STATE 053717

UNIT VALUE OF COIR FIBER IMPORTS IN 1976 WAS 173 DOLLARS PER TON F.O.B. BASIS, COMPARED WITH THE 1975 UNIT VALUE OF 180 DOLLARS PER TON. SRI LANKA AND THE PHILIPPINES ARE THE PRINCIPAL SUPPLIERS TO THE U.S. MARKET ACCOUNTING FOR 84 PERCENT OF TOTAL IMPORTS IN 1976.

COIR FIBER, OBTAINED FROM THE HUSK OF THE COCONUT, IS UTILIZED IN THE MAKING OF RUGS, MATTINGS, BRUSHES, ROPES, UPHOLSTERY AS WELL AS PROVIDING A WIDELY USED TWINE FOR THE SUPPORT OF HOP VINES.

#### ITEM V. COIR YARN AND FIBER

POSITION: THE U.S. DELEGATE NEED NOT PARTICIPATE IN THIS AGENDA ITEM.

DISCUSSION: U.S. IMPORTS OF COIR YARN AND ROVING IN 1976 TOTALED 3,015 TONS, COMPARED WITH 3,775 TONS AND 4,011 TONS, RESPECTIVELY, FOR 1975 AND 1974. IMPORTS OF COIR CORDAGE IN 1976 TOTALED 105 TONS. COMPARABLE COIR CORDAGE IMPORTS TOTALED 182 TONS IN 1975 AND 106

TONS IN 1974. TRADITIONALLY, INDIA SUPPLIES PRACTICALLY ALL OF ANNUAL U.S. IMPORT NEEDS FOR COIR CORDAGE, YARN AND ROVING. U.S. IMPORTS OF RAW COIR FIBER AS WELL AS COIR YARN AND PRODUCTS ARE RELATIVELY SMALL AS THE EC, ESPECIALLY THE U.K., ARE THE MAIN CONSUMERS.

ITEM VI. ABACA

POSITION: THE U.S. DELEGATE MAY AS APPROPRIATE, MAKE A BRIEF STATEMENT ALONG THE FOLLOWING LINES:

U.S. IMPORTS OF RAW ABACA FIBER IN 1976 TOTALED 22,239 TONS, UP ABOUT 17 PERCENT FROM THE 1975 LEVEL, BUT SLIGHTLY BELOW THE AVERAGE ANNUAL IMPORTS, DURING LIMITED OFFICIAL USE  
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PAGE 08 STATE 053717

1970-74. THE PHILIPPINES MADE A RESURGENCE AS THE DOMINANT SUPPLIER OF RAW ABACA TO THE UNITED STATES IN 1976 ACCOUNTING FOR 64 PERCENT, AFTER HAVING SLIPPED TO ABOUT 51 PERCENT OF THE U.S. MARKET IN 1975. ECUADOR SUPPLIED 36 PERCENT OF ABACA IMPORTS TO THE U.S. IN 1976, OFF FROM THE 46 PERCENT SHARE IT ATTAINED IN 1975 BUT WELL ABOVE THE 11 PERCENT SHARE OF THE U.S. MARKET SUPPLIED DURING 1970-74.

SPECIALITY PAPER PRODUCTS CONTINUE TO BE AN IMPORTANT MARKET OUTLET FOR ABACA IN THE UNITED STATES, ACCOUNTING FOR THE BULK OF PRESENT IMPORTS INTO THIS COUNTRY. THE UPTURN IN 1976 IMPORTS OVER THE PREVIOUS YEAR WAS DUE IN PART TO A REPLENISHMENT OF INVENTORIES DRAWDOWN DURING 1976, AN INCREASE IN END-USER DEMAND IN THE UNITED STATES OWING TO IMPROVED ECONOMIC CONDITIONS, AND THE LOWERING OF PRICES FOR RAW ABACA DURING 1976. THE LATTER POINT IS ILLUSTRATED BY THE UNIT IMPORT VALUE OF ABACA FOR 1976 WHICH AVERAGED 538.45 DOLLARS PER TON, COMPARED WITH 802.98 DOLLARS PER TON FOR 1975.

C. INTERGOVERNMENTAL ACTIONS

ITEMS VII AND VIII:

INFORMAL ARRANGEMENTS ON SISAL AND HENEQUEN AND POSSIBLE APPROACHES TO MONITORING ARRANGEMENTS

DISCUSSION: THE ONLY INTERNATIONAL ARRANGEMENTS NOW IN EFFECT CONCERNING HARD FIBERS ARE THE INFORMAL PRICE TARGETS FOR RAW SISAL AND HENEQUEN AND QUOTAS FOR BOTH RAW AND MANUFACTURED SISAL/HENEQUEN WHICH ARE SET BY THE FAO INTERGOVERNMENTAL GROUP. THE EFFECTIVENESS OF THESE MEASURES HAS BEEN SPOTTY SINCE SOME MAJOR PRODUCERS (INCLUDING BRAZIL) HAVE BEEN UN-

WILLING TO OBSERVE THE QUOTAS, AND SINCE THE TARGET  
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PAGE 09 STATE 053717

PRICES AND QUOTAS OFTEN HAVE NOT BEEN SET IN A RANGE  
WHICH REFLECTS ACTUAL WORLD MARKET CONDITIONS FOR  
TRADE IN HARD FIBERS AND HARD FIBER MANUFACTURES.

THIS SESSION OF THE INTERGOVERNMENTAL GROUP HAS TWO  
AGENDA ITEMS RELATED TO INFORMAL ARRANGEMENTS: THE  
ESTABLISHMENT OF NEW INDICATIVE PRICES AND QUOTAS,  
AND THE CONSIDERATION OF POSSIBLE APPROACHES TO MON-  
ITORING THE INFORMAL ARRANGEMENT.

ALTHOUGH THE U.S. HAS NOT IN THE PAST PARTICIPATED  
ACTIVELY IN THE ESTABLISHMENT AND REVISION OF THE  
INFORMAL ARRANGEMENT, WE NOW FIND IT NECESSARY TO PLAY  
A MORE ACTIVE ROLE IN LIGHT OF OUR COMMITMENTS IN  
UNCTAD AND OTHER FORA TO SEEK WORKABLE SOLUTIONS TO  
COMMODITY TRADE PROBLEMS ON A CASE BY CASE BASIS. WE  
MAY EVENTUALLY WISH TO HAVE THE OPTION OF LENDING OUR  
SUPPORT TO AN ADEQUATELY DESIGNED PRICE AND QUOTA  
SYSTEM FOR HARD FIBER AND HARD FIBER PRODUCTS

AS AN ALTERNATIVE TO INTERNATIONALLY FINANCED BUFFER  
STOCKS, ESPECIALLY SINCE U.S. IMPORTERS OF NATURAL FIBER  
HARVEST TWINE HAVE VOICED NO OBJECTIONS TO NEW INTER-  
NATIONAL MARKETING ARRANGEMENTS, AS LONG AS THEIR  
INTERESTS ARE ADEQUATELY PROTECTED.

ESTABLISHMENT OF INDICATIVE PRICES AND QUOTAS

DISCUSSION: THE PRODUCING COUNTRIES AND THE EC, WHICH  
IS THE MAJOR IMPORTER OF RAW SISAL AND HENEQUEN, GENERALLY  
ARE THE MAIN PARTICIPANTS IN THE DISCUSSIONS ON AN  
INDICATIVE PRICE FOR RAW FIBER. THE U.S. DELEGATE  
SHOULD URGE THAT THE INDICATIVE PRICE BE SET AT A LEVEL  
WHICH TAKES INTO ACCOUNT THE CURRENT WORLD TRADE MARKET  
SITUATION FOR HARD FIBER AND THE NEED FOR FIBER TO  
REMAIN COMPETITIVE WITH SYNTHETICS.

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PAGE 10 STATE 053717

WHILE THE INFORMAL QUOTAS ESTABLISHED BY THE IG HAVE  
TECHNICALLY BEEN APPLICABLE TO BOTH RAW SISAL/HENEQUEN  
AND MANUFACTURED PRODUCTS, THE GROUP HAS NEVER ESTAB-  
LISHED AN INDICATIVE PRICE FOR MANUFACTURES, ALTHOUGH  
THE POSSIBILITY HAS BEEN DISCUSSED FOR SISAL/HENEQUEN  
HARVEST TWINE, THE PRINCIPAL MANUFACTURED PRODUCT.

IN PAST SESSIONS, THE IG HAS DISCUSSED AN INDICATIVE PRICE FOR TWINE BUT HAS NOT ESTABLISHED SUCH A PRICE. WE UNDERSTAND THAT THE SECRETARIAT FEELS THAT THE ESTABLISHMENT OF AN INDICATIVE PRICE FOR TWINE IS ESSENTIAL, SINCE RAW FIBER AND TWINE ARE NOW SELLING AT THE SAME PRICE. THE U.S. DELEGATE SHOULD AGREE TO PARTICIPATE IN A DISCUSSION OF AN INDICATIVE PRICE FOR TWINE. POINTS WHICH HE SHOULD NOTE DURING THE DISCUSSION INCLUDE:

1) THAT THE RANGE OF SUCH A PRICE IS LIMITED ON ITS UPPER END BY THE PRICE OF SYNTHETIC SUBSTITUTES, AND THAT THE ESTABLISHMENT OF AN INDICATIVE PRICE WHICH IS NOT COMPETITIVE WITH SYNTHETIC TWINES WOULD ONLY SERVE TO ERODE THE LONG-TERM MARKET SHARE OF NATURAL FIBERS, ESPECIALLY IN VIEW OF THE LARGE INCREASE IN SYNTHETIC TWINE CAPACITY SINCE 1974.

2) THAT THE QUESTION OF THE APPROPRIATE DIFFERENTIAL BETWEEN FIBER AND TWINE PRICES IS OBVIOUSLY IMPORTANT TO THOSE CONSUMING COUNTRIES WHICH CONTINUE TO MANUFACTURE TWINE. HE SHOULD OBSERVE THAT THE RELATIONSHIP BETWEEN RAW FIBER AND TWINE PRICES IS NOT NECESSARILY A FIXED ONE, AND SHOULD EXPLORE THE RANGE WHICH MIGHT BE ACCEPTABLE FOR SUCH A DIFFERENTIAL.

3) HE SHOULD ALSO NOTE THE NEED TO RELATE ANY PROPOSALS ON AN INDICATIVE PRICE TO PROPOSALS FOR IMPROVING THE LIMITED OFFICIAL USE  
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PAGE 11 STATE 053717

MONITORING OF INFORMAL ARRANGEMENTS. GIVEN THE TENDENCY FOR PERIODIC OVERSUPPLY OF HARD FIBER AND TWINE, TO DEVELOP AN EFFECTIVE QUOTA SYSTEM WOULD BE NECESSARY FOR AN INDICATIVE PRICE TO BE MAINTAINED. HE SHOULD ALSO EXPLORE WHETHER SEPARATE QOUTAS SHOULD BE ESTABLISHED FOR FIBER AND MANUFACTURERS, RATHER THAN THE SINGLE QUOTA WHICH NOW EXISTS. U.S. DEL SHOULD SUPPORT IG EFFORTS TO EXAMINE THESE QUESTIONS AND DETERMINE POSSIBLE USEFULNESS OF ESTABLISHMENT OF INDICATIVE PRICE FOR TWINE. BECAUSE OF NUMBER OF

QUESTIONS WHICH EXIST, U.S. DEL SHOULD SUGGEST THAT IT MAY BE MORE APPROPRIATE TO DEFER ESTABLISHMENT OF TWINE PRICE UNTIL NEXT IG SESSION. THE U.S. DEL SHOULD ABSTAIN IF A VOTE ON INDICATIVE PRICE IS TAKEN AT THIS SESSION.

MONITORING THE INFORMAL ARRANGEMENT

DISCUSSION: AT THE LAST TWO IG MEETINGS, CERTAIN



PRODUCING COUNTRIES HAVE URGED THAT CONSIDERATION BE GIVEN TO WAYS OF MONITORING THE OPERATION OF THE INFORMAL ARRANGEMENT. THE SECRETARIAT HAS PREPARED A PAPER ON POSSIBLE APPROACHES TO SUCH MONITORING, INCLUDING BOTH "PASSIVE" MONITORING, BASED ON INCREASED EXCHANGE OF INFORMATION, AND ACTIVE MONITORING WITH A MECHANISM FOR REALLOCATING QUOTA SHORTFALLS AND ALTERING PRICE AND QUOTA TARGETS THROUGHOUT THE YEAR TO REFLECT CHANGING MARKET CONDITIONS.

THE U.S. DELEGATE MAY NOTE OUR SUPPORT FOR EFFORTS TO INCREASE THE AMOUNT OF INFORMATION ON TRADE CONDITIONS IN HARD FIBER AND HARD FIBER PRODUCTS WHICH IS AVAILABLE TO PRODUCING AND CONSUMING COUNTRIES, ALLOWING THEM TO MORE EFFECTIVELY IMPLEMENT THEIR POLICIES WITH REGARD LIMITED OFFICIAL USE LIMITED OFFICIAL USE

PAGE 12 STATE 053717

TO THIS COMMODITY. THE U.S. DELEGATE SHOULD ENCOURAGE THE EXPLORATION, INCLUDING LIKELY COSTS OF THE WAYS, DISCUSSED IN THE SECRETARIAT PAPER TO INCREASE THE FLOW OF INFORMATION TO THE SECRETARIAT AND BACK TO THE MEMBER COUNTRIES BY CABLE OR OTHER ELECTRONIC MEANS.

THE U.S. DELEGATE MAY ALSO NOTE THAT THE SECRETARIAT'S REPORT IMPLIES THAT WEAKNESSES IN THE OPERATION OF THE INFORMAL ARRANGEMENT APPEAR TO HAVE STEMMED FROM THE ESTABLISHMENT OF PRICE AND QUOTA TARGETS WHICH ARE NOT SUFFICIENTLY CLOSE TO ACTUAL WORLD MARKET CONDITIONS FOR HARD FIBER AND HARD FIBER PRODUCTS. THE U.S. DELEGATE MAY STRESS THAT TARGETS IN THE INFORMAL ARRANGEMENT MUST BE SET IN RELATION TO INTERNATIONAL MARKET CONDITIONS AND TO THE AFFECT OF COMPETITION FROM SYNTHETICS IF THE ARRANGEMENTS IS TO BE EFFECTIVE.

WE SHOULD STRESS THAT BOTH PRODUCING AND CONSUMING COUNTRIES HAVE A STRONG INTEREST IN ANY MEASURES WHICH AFFECT THE PRICE AND AVAILABILITY OF HARD FIBER AND HARD FIBER PRODUCTS. IN THIS REGARD, WE WOULD NOT BE ABLE TO AGREE TO A MONITORING OR SURVEILLANCE PROCEDURE

WHICH PROVIDED THAT DECISIONS AFFECTING THE TERMS OR OPERATION OF THE INDICATIVE PRICE AND QUOTA ARRANGEMENT COULD BE TAKEN BY INFORMAL MEETINGS WHICH DO NOT NECESSARILY PROVIDE ADEQUATE REPRESENTATION OF ALL MAJOR PRODUCING AND CONSUMING COUNTRIES.

FINALLY, THE U.S. SHOULD URGE THE PRODUCING COUNTRIES TO PUT FORWARD ANY PROPOSALS THEY MAY HAVE FOR IMPROVED MONITORING IN CONCRETE FORM IN ORDER THAT THEY MIGHT BE CONSIDERED BY THE CONSUMING COUNTRIES.

ITEM IX. UNCTAD INTEGRATED PROGRAM FOR COMMODITIES

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PAGE 13 STATE 053717

DISCUSSION: THE FIRST UNCTAD PREPARATORY CONFERENCE ON HARD FIBERS AND HARD FIBER PRODUCTS WAS HELD IN GENEVA DECEMBER 6-10. RESULTS WERE INCONCLUSIVE; PRODUCING COUNTRIES HAD NOT DEVELOPED A COMMON POSITION BEFORE THE MEETING, AND THE FINAL DECISION CALLED FOR THE CONFERENCE TO RECONVENE AT THE EXPERTS LEVEL TO CONSIDER WAYS TO IMPROVE INTERNATIONAL TRADE IN HARD FIBERS, INCLUDING BUFFER STOCKS. THE NEXT MEETING IS SET FOR JULY.

THE SECRETARIAT WILL TABLE THE JOINT UNCTAD/FAO REPORT PREPARED FOR THE DECEMBER MEETING ALONG WITH THE FINAL DECISION OF THAT MEETING. WE DO NOT EXPECT EXTENSIVE DISCUSSION OF UNCTAD DURING THE IG SESSION.

THE U.S. DELEGATE SHOULD ENCOURAGE THE FAO IG TO REMAIN ACTIVELY INVOLVED IN THE UNCTAD EXERCISE IN ITS CAPACITY AS THE RECOGNIZED INTERNATIONAL FORUM FOR DISCUSSION OF ISSUES RELATED TO HARD FIBERS. IF APPROPRIATE THE U.S. DEL SHOULD SEEK FURTHER INFORMATION ON PLANNED FAO EFFORTS TO SUPPORT THE UNCTAD PROGRAM. (FOR FURTHER INFORMATION, REFER TO U.S. POSITION PAPER FOR DECEMBER UNCTAD HARD FIBERS MEETING, POUCHED TO DELEGATES EARLIER, AND TO REPORTING CABLE ON CONFERENCE (STATE 302774).

ITEM X. RESEARCH AND PROMOTION

THE GROUP MAY BE ASKED TO CONSIDER TWO SETS OF RECOMMENDATIONS FOR FUTURE RESEARCH ACTIVITY: 1) FROM THE ADVISORY WORKING PARTY ON HARD FIBERS RESEARCH, WHICH WILL MEET ON MARCH 14 IN DELHI, AND 2) FROM THE FAO SECRETARIAT, WHICH MAY PROPOSE A TECHNICAL

IMPROVEMENT PROGRAM DIRECTED AT SISAL PRODUCTION AND MANUFACTURING.

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PAGE 14 STATE 053717

DURING THE DISCUSSIONS OF PROPOSED RESEARCH PROGRAMS, THE U.S. DELEGATE SHOULD SEEK ANSWERS TO THE FOLLOWING QUESTIONS:

- WOULD PRODUCTION RESEARCH BE DIRECTED TOWARD INCREASING OVERALL PRODUCTION OR LOWERING PER UNIT

COSTS? THE U.S. DEL MAY NOTE THAT HARD FIBERS PERIODICALLY FACE THE PROBLEM OF OVERPRODUCTION, AND THAT ANY RESEARCH DIRECTED AT PRODUCTION SHOULD NOT RESULT IN EXACERBATION OF THIS PROBLEM.

- THERE IS CONSIDERABLE DIFFERENCE NOW BETWEEN COSTS OF PRODUCTION OF HARD FIBERS IN HIGH AND LOW COST COUNTRIES. IN WHAT COUNTRIES WOULD PRODUCTION RESEARCH TAKE PLACE?

- HOW WOULD RESEARCH PROGRAMS BE RELATED TO EFFORTS FOR DIVERSIFICATION?

- TO WHAT EXTENT WOULD PROGRAMS BE FUNDED OUT OF CURRENT FAO BUDGETS? WHAT NEW FUNDING WOULD BE REQUIRED? THE U.S. DEL SHOULD NOTE THAT QUESTIONS OF ADDITIONAL FUNDING WILL HAVE TO BE CONSIDERED SEPARATELY, BUT THAT U.S. IS WILLING TO GIVE CAREFUL EXAMINATIONS TO ANY SUCH PROPOSALS.

RESEARCH BY ITS NATURE IS OFTEN DIFFICULT TO ASSESS IN ITS INITIAL STAGE IN TERMS OF COST-BENEFIT. MOST EFFORTS IN THIS AREA HAVE BEEN POORLY FUNDED. THERE ALSO HAS BEEN LOW PRODUCER COUNTRY INTEREST. WHILE WE DO NOT WANT TO HOLD OUT GREAT PROMISE IN THIS DIRECTION, WE WOULD LIKE TO AROUSE PRODUCER INTEREST IN THIS AVENUE AS ONE NON-MARKET INTERVENTION TECHNIQUE WHICH MAY BE OF LONG TERM BENEFIT TO THEM. RESEARCH EFFORTS HAVE ALREADY TURNED UP SOME LIMITED OFFICIAL USE  
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PAGE 15 STATE 053717

OPPORTUNITIES FOR NEW USES, NOTABLY WHERE SISAL-HENEQUEN CAN BE SUBSTITUTED FOR MATERIALS THAT ARE COSTLY IN PARTICULAR MARKETS. EXAMPLES WOULD INCLUDE KRAFT-TYPE PAPERS IN BRAZIL AND WALLBOARD IN TANZANIA.

E. CLOSING OF THE SESSION

ITEM XI. DATE AND PLACE OF THE THIRTEENTH SESSION

POSITION: WITH REGARD TO THE NEXT REGULAR MEETING, THE U.S. DELEGATE SHOULD SUPPORT ROME, BUT NEED NOT OPPOSE A CONSENSUS ON ANOTHER SITE. CONCERNING THE DATE WE SHOULD SUPPORT THE CONSENSUS OF THE MEETING.

DISCUSSION: IN FEBRUARY, 1976, THE SECRETARY OF THE IG ON HARD FIBERS ANNOUNCED AT THE NAIROBI MEETING THAT THE FAO PLANNED TO REDUCE THE HARD FIBERS MEETING TO ONE PER YEAR RATHER THAN TWO. GIVEN THE IMPETUS TO COMMODITY DISCUSSIONS PROVIDED BY THE UNCTAD EXERCISE, HOWEVER, WE EXPECT THAT BOTH THE SECRETARIAT AND THE

MEMBER COUNTRIES MAY WISH TO CONTINUE WITH MORE  
FREQUENT MEETINGS UNTIL THE TREND OF HARD FIBERS IN  
UNCTAD IS CLARIFIED. THERE HAVE BEEN PROPOSALS IN  
THE PAST FROM BOTH PRODUCING AND CONSUMING COUNTRIES  
FOR MORE FREQUENT "INFORMAL" MEETINGS TO REVIEW MARKET  
CONDITIONS, AND THE SECRETARIAT PAPER ON MONITORING  
THE INFORMAL ARRANGEMENT SUGGESTS INFORMAL MEETINGS FOR  
THIS PURPOSE. THE U.S. DELEGATE SHOULD CONTINUE TO  
OPPOSE INFORMAL MEETINGS WHICH COULD MAKE DECISIONS  
CONCERNING HARD FIBERS WHICH WOULD AFFECT THE  
INTERESTS OF ALL PRODUCING AND CONSUMING COUNTRIES  
UNLESS ALL COUNTRIES ARE REPRESENTED. WHILE WE ARE  
NOT ANXIOUS TO SEE A PROLIFERATION OF MEETINGS, WE  
SHOULD RECOGNIZE THAT MORE FREQUENT MEETINGS MAY BE  
REQUIRED IF THE FAO GROUP IS TO PROVIDE AN ALTERNATIVE  
TO THE UNCTAD EFFORT IN HARD FIBERS. THUS, IF THE  
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PAGE 16 STATE 053717

IG DETERMINES THAT ADDITIONAL (BUT NOT "INFORMAL")  
MEETINGS WOULD BE REQUIRED TO IMPLEMENT ANY IMPROVED  
MONITORING MECHANISMS, THE U.S. DELEGATE MAY CONCUR IN  
SCHEDULING THESE MEETINGS.

ITEM XII. ANY OTHER BUSINESS

ITEM XIII. ADOPTION OF THE REPORT OF THE TWELTH SESSION

POSITION: THE U.S. DELEGATE SHOULD BE ALERT FOR  
INACCURACIES OF REPORTING OR ATTRIBUTION IN THE  
FINAL REPORT. NORMALLY, THE REPORT IS WRITTEN BY  
THE SECRETARIAT WITH COMMENDABLE CARE. IF THERE IS  
A DRAFTING COMMITTEE, THE U.S. DELEGATE SHOULD MAKE  
EVERY EFFORT TO BE REPRESENTED. UNQUOTE.

NOTE: POSITION PAPER FOR UNCTAD HARD FIBERS MEETING SENT  
BY AIR POUCH TO ROME ON 3/8 AND NEW DELHI ON 3/10.  
VANCE

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<< END OF DOCUMENT >>

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 22-Sep-1999 12:00:00 am  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** TEXTILES, PAPERS, FIBERS, INTERGOVERNMENTAL COOPERATION, FOREIGN POLICY POSITION  
**Control Number:** n/a  
**Copy:** SINGLE  
**Sent Date:** 10-Mar-1977 12:00:00 am  
**Decaption Date:** 01-Jan-1960 12:00:00 am  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 22 May 2009  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1977STATE053717  
**Document Source:** ADS  
**Document Unique ID:** 00  
**Drafter:** EB/FTD:SFOUTS:AGRIC:PBUZZANELLE  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** n/a  
**Expiration:**  
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**Litigation History:**  
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**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
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**Previous Channel Indicators:**  
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**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Retention:** 0  
**Review Action:** RELEASED, APPROVED  
**Review Content Flags:**  
**Review Date:** 10-Nov-2004 12:00:00 am  
**Review Event:**  
**Review Exemptions:** n/a  
**Review Media Identifier:**  
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**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**SAS ID:** 2964669  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** FAO INTERGOVERNMENTAL GROUP MEETING ON HARD FIBERS.  
**TAGS:** ETRD, IT, IN, US  
**To:** ROME NEW DELHI  
**Type:** TE  
**vdkgvwkey:** odb://SAS/SAS.dbo.SAS\_Docs/43a301b0-c288-dd11-92da-001cc4696bcc  
**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009